
ÇELEN LAW FIRM

Compensation for Termination of Employment Contracts

The general overview of Turkish Labor Law's provisions concerning the legal framework for the calculation of notice periods and severance payments are provided below.

1. Notice of termination

The party wishing to terminate the contract of employment is required to give notice in writing. The period of notice will depend on the employee's length of service.

As a rule, there is a notice period between the date of the notice of termination and the date at which the notice takes effect.

Minimum notice periods (may be increased by the contract of employment to be valid for the Employer):

- two weeks notice for employees employed for less than 6 months;
- four weeks notice for employees employed for between 6 months and 1½ years;
- six weeks notice for employees employed for between 1½ years and 3 years;
- eight weeks notice for employees employed for more than 3 years.

2. Damages in lieu of notice - "Notification Compensation"

If the terminating party does not wish to give notice, it will be required to pay damages in an amount of the gross salary that would have been paid or earned during the notice period as set out hereinabove. The gross salary includes premiums, travel and food amounts which are continuously paid to the employee during the employment period.

Notification compensation must be paid if the employee is not going to work for the notification period. Income tax and stamp duty should be deducted from this amount, but the social security premiums are not paid since there is no actual work realized.

3. Severance compensation and other payments

The amount of severance compensation payable is equal to thirty days salary for each year of service to the company. The durations that are a fraction of a year (after the first year) are calculated in proportion.

The reference salary used, as the basis for calculation is the most recent gross monthly salary cut off at a ceiling of the monthly pension of the highest paid civil servant in Turkey. This monthly pension is currently 2,623.23 Turkish Liras (approx. 1,200 €) as of January 1, 2011. The reference salary is reviewed every six months to take account of inflation. Therefore the severance payment is calculated in the following manner:

30 days worth of an employee's salary (calculated from the legal maximum salary amount- currently 2,623.23 Turkish Liras) \times (the number of years worked for the company).

In addition to the severance and notification compensation the bonus amount and the vacation days the employee is entitled to (applied pro rata) is also paid to the employee(s) during termination.

The information contained herein constitutes only the general framework regarding the referenced subject. Please contact legal counsel for advice regarding specific matters.